

**Appendix 6**

**INTRA-GOVERNMENTAL TRANSACTIONS (IGT) INVESTMENTS/BORROWINGS**

**Section 1—Investments and Borrowings Authoritative Sources**

Investments and Borrowings IGT categories involve transactions where a single entity performs a centralized function on behalf of all other federal entities. These entities are known as authoritative sources. As authoritative sources, these federal entities account for and report the balances for which they are responsible. For the Investments and Borrowings subcategories, the Department of the Treasury (Treasury) is the authoritative source. Note: Authoritative sources are only applicable to the Investments, Borrowings, and Benefits IGT categories.

**1.1—Authoritative Transactions**

Under this policy, authoritative sources should implement the appropriate level of audit scrutiny to provide reasonable assurances over authoritative source balances. The authoritative sources determine the proper balances for their respective IGT sub-categories and submit their balances to the Bureau of the Fiscal Service (Fiscal Service). For Investments and Borrowings, federal entities get their balances from the authoritative source report in the Government-wide Treasury Account Symbol Adjusted Trial Balance System ([GTAS](#)). These balances in [GTAS](#) are the official sources of record for confirming and reconciling Investments and Borrowings balances between trading partners and Treasury (see Table 1).

**Table 1: Authoritative Sources by IGT Sub-category**

<b>IGT Sub-category</b>	<b>Authoritative Source</b>	<b>Trading Partner</b>
Investments	Fiscal Service, Federal Financing Bank (FFB), or federal entity with general or special financing authority	Investing entity
Borrowings	Fiscal Service or FFB	Borrowing entity

**Note:** Fiscal Service is the authoritative source for FFB Borrowings from Fiscal Service.

For Investments, some federal entities may have general or special financing authority that allows them to issue securities to a federal entity other than Treasury securities issued by Fiscal Service. For example, the Civil Service Retirement and Disability Fund (CSRDF) holds securities issued by the FFB. In this situation, the federal entity issuing the Investments is the authoritative source.

Authoritative sources have specific responsibilities with respect to Investments and Borrowings IGTs, as outlined below in Table 2.

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**Table 2: Authoritative Source Responsibilities**

Authoritative Source Responsibilities	Key Activities
Provide timely, accurate IGT data to federal entities	Provide applicable IGT Investments or Borrowings data in <a href="#">GTAS</a> . Provide entity-level data (for example, sub-department) to trading partners.
Obtain/maintain adequate assurance for authoritative transactions	Maintain assurances over IGT controls (for example, report on IGT internal controls). Maintain assurances over IGT balances (for example, report on substantive testing of balances).
Proactively work with trading partners and Fiscal Service to reconcile and adjudicate differences as necessary	Monitor authoritative differences with trading partners. Facilitate remediation when necessary.

Fiscal Service and FFB submit their balances to GTAS. Trading partners verify their reciprocal balances and reconcile them to these authoritative source balances. If the balances agree, the trading partner does not need to take any action. If the balances do not agree, the trading partner must work with Fiscal Service and/or FFB to resolve the reconciling items. Once reconciled, the authoritative source and the trading partner post adjusted balances in their respective financial systems and submit the reconciled balance in their quarterly Adjusted Trial Balance (ATB) bulk file submission to GTAS.

If the trading partner does not agree with the authoritative source, and there is a significant recurring difference, the trading partner must work through the corrective action process described in the Root Cause/Corrective Action Plan (CAP) section with the authoritative source or request a dispute resolution-as described in the Dispute Resolution Process section. Both processes are outlined in Appendix 5. The trading partner must also identify any material (\$100 million or greater) difference in its Material Differences Reporting. By taking this action, the trading partner provides Fiscal Service with a formal explanation of the material differences. Federal entity CFOs or CFO designees must certify their explanations of the material differences in the Intra-governmental Module of GTAS on a quarterly basis. These submissions establish formal recognition of the material differences so that appropriate steps may be taken to remediate the difference.

**Note:** Fiscal Service discourages federal entities from submitting adjusted trial balances different from the authoritative source unless they materially differ (\$100 thousand threshold) from the authoritative source or reporting the authoritative source balances would have an adverse impact on the entities' financial statement opinions.

If the difference is not material to the federal entity, the trading partner should either post the authoritative source's balance or document the rationale for the difference. Federal entities must still work to reconcile and eliminate the difference regardless of the materiality. The documentation of the difference is not required to be submitted to Fiscal Service but should be available upon request.

There are six analytical edits in GTAS related to Fiscal Service being the authoritative source. Three are for investments in Treasury securities. These edits are applicable whether an entity invests through Fiscal Service or an outside broker. Three edits are for borrowings from Fiscal Service. While these edits are currently only analytical, not fatal, entities that invest in Treasury securities and/or borrow from Fiscal Service should ensure that their Investment and/or Borrowings balances match those of Fiscal Service's as Fiscal Service is working toward making these edits fatal in the future. If an entity's Investment and/or Borrowings balances do not match Fiscal Service's, and an entity's Treasury Account Symbol (TAS) is not able to pass one or more of the associated GTAS edits, the federal entity must work with the Federal Investments and Borrowings Branch (FIBB) to resolve any failed investments and borrowings edits. The contact information for Investment balances is [FedInvestor@fiscal.treasury.gov](mailto:FedInvestor@fiscal.treasury.gov), and the contact information for Borrowings balances is [Borrowings@fiscal.treasury.gov](mailto:Borrowings@fiscal.treasury.gov).

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### Section 2— Investments Transactions

The Investments IGT sub-category involves the calculation and reporting of Investments in Treasury securities issued by Fiscal Service and securities issued by other federal entities under general and special financing authority. Balances calculated and reported by the issuing entity and its investing entities may include principal, discounts, premiums, accumulated amortization of discounts and premiums, accrued interest payable/receivable, interest expense/revenue, as well as gains and losses.

Under its special financing authority, FFB has issued securities to federal entities. For example, FFB issued securities to the Office of Personnel Management (OPM) for its CSRDF during a debt issuance suspension period. In this situation, FFB acts as the authoritative source and calculates and reports to OPM the principal, accrued interest receivable, and interest revenue balances and activity.

The majority of federal entities that invest in Treasury securities purchase Government Account Series (GAS) securities directly from Fiscal Service through the Federal Investments Program. Only Fiscal Service can issue Treasury securities. The Federal Investments Program provides Investment services to federal government entities that have funds on deposit with the U.S. Treasury and have authority to invest those funds. Investments of the funds are generally restricted to non-marketable securities in the form of special issue par-value and/or market-based securities.

Some federal entities invest in marketable Treasury securities purchased through accounts with private sector brokerage firms. The rules associated with these Investments are described below.

The process model for IGT Investments is described in the following subsections.

#### 2.1—Transaction Types and Trading Partner

The business process for Investments varies based on whether a federal entity purchases Treasury securities in the form of GAS securities from Fiscal Service or marketable securities via a broker on the secondary market. Regardless of the transaction type, the trading partner used by a federal entity for an Investment transaction is always Fiscal Service (Financial Reporting Entity 2000). Each transaction type is described below.

#### GAS Securities

Federal entities use the FedInvest system to buy and sell GAS securities. The FedInvest System is a web-based extension to Fiscal Service's primary Investment accounting system. The FedInvest System also allows federal entities to download data and to view account holdings, transactions, and reports. In accordance with intra-governmental business rules, Fiscal Service transmits Investment transaction data daily on behalf of the entities that invest in GAS securities through the Intra-governmental Payments and Collections (IPAC) system. The purpose of IPAC is to provide a standardized interagency fund transfer mechanism for Federal Program Agencies (FPA).

The Classification Transactions and Accountability (CTA) generates daily the classification reporting and transmits the results to the Central Accounting Reporting System (CARS) (the accounting system of record).

#### Marketable/Secondary Market Securities

Some federal entities purchase marketable Treasury securities through an independent brokerage firm. When a federal entity purchases these securities, it must notify Fiscal Service of the purchase within three business days. Failure to notify Fiscal Service results in incomplete reporting of debt liability when Fiscal Service submits adjusted trial balance information to Treasury's Office of Financial Reporting and Policy. After notification, Fiscal Service reclassifies the marketable Treasury securities from "non-federal" to "federal" via the Summary Debt Accounting System. This reclassification is necessary to accurately and completely report IGT Treasury securities and to properly classify the federal debt outstanding. The federal entity must perform a CTA transaction to report the Investment transaction and record the Treasury marketable securities purchased on the secondary market in their respective SGL accounts (161020/161120/161220), rather than the typical Treasury investment SGLs (161000/161100/161200).

Even though the federal entity purchases the securities from an independent brokerage, Fiscal Service is considered the

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authoritative source for these transactions. The federal entity must comply with the authoritative source business rules for these transactions.

### **2.2—Roles and Responsibilities**

Table 3 outlines the roles and responsibilities for Fiscal Service and federal entities that purchase Investments.

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Table 3: Trading Partner Roles and Responsibilities for Investments

Role	Federal Entity	Responsibility
Authoritative Source (Issuing Entity)	Fiscal Service, FFB, or Federal Entity With Authority To Issue Securities	<p>As the authoritative source for IGT Investments, Fiscal Service provides the following services:</p> <ul style="list-style-type: none"> <li>▪ Investment processing,</li> <li>▪ Daily IPAC reporting,</li> <li>▪ Calculation of accruals, amortization, and inflation, and</li> <li>▪ Recording the resulting liability and expense balances.</li> </ul> <p>Fiscal Service is also the authoritative source for investing entities that purchase marketable Treasury securities through an independent brokerage. When notified of federal entities investing in marketable Treasury securities that were purchased through an independent brokerage, Fiscal Service reclassifies the liability and expense balances from public to intra-governmental debt.</p>
Trading Partner	Investing Entity	<p>The investing entity issues requests to Fiscal Service for the purchase or redemption of GAS securities or purchases of marketable Treasury securities from an independent brokerage and notifies Fiscal Service of these Investment balances. Federal entities must record and reconcile Investment balances and activity.</p> <p>The investing entity must:</p> <ul style="list-style-type: none"> <li>▪ Report Investment transactions to Fiscal Service (CTA reporting),</li> <li>▪ Reconcile against Fiscal Service IGT Investment data, and</li> <li>▪ Issue requests to Fiscal Service for the purchase or redemption of GAS securities.</li> </ul> <p>If purchasing marketable Treasury securities from an independent brokerage firm, the investing entity must:</p> <ul style="list-style-type: none"> <li>▪ Notify Fiscal Service of these Investments within three business days,</li> <li>▪ Record and reconcile Investment activities, including interest and amortization,</li> <li>▪ Report Investment transactions to Fiscal Service (CTA reporting), and</li> <li>▪ Document differences with authoritative sources and create a corrective action plan for recurring differences or submit material differences to Fiscal Service for dispute resolution.</li> </ul>

### 2.3—Business Rules for Investments

The business rules for Investments include the following key laws and policy sources that govern the accounting for and the financial management of Fiscal Service Investment programs:

- [Article I, Section 8, of the Constitution](#) empowers Congress to borrow money on the credit of the United States (31 U.S.C. §§3101 et. seq.).
- [TFM Volume I, Part 2, Chapter 4300](#), “Responsibilities Relating to Government Investment Accounts and Investment in Government Account Series Securities.” Prescribes the responsibilities, policies, and procedures that the Department of the Treasury has established for government accounts on the books of the Treasury for which the Secretary of the Treasury has been authorized or directed by law to invest.
- [OMB Circular No. A-11](#), Section 113, “Investment Transactions,” provides guidance on the proper treatment and recording of Investment transactions.
- [OMB Circular No. A-123](#), “Management’s Responsibility for Enterprise Risk Management and Internal Control,” Appendix A, emphasizes the need for federal entities to integrate and coordinate internal control assessments with other internal control-related activities within the entity.

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- [Statement of Federal Financial Accounting Standards \(SFFAS\) No. 1](#), “Accounting for Selected Assets and Liabilities,” assesses the efficiency and effectiveness of the government’s management of its assets and liabilities along with determining whether the government’s financial position improved or deteriorated over the reporting period.
- [SFFAS No. 5](#), “Accounting for Liabilities of The Federal Government,” establishes accounting standards to recognize and measure liabilities in general purpose federal financial reports, which are issued for both internal and external users.
- [SFFAS No. 7](#), “Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting,” provides standards for classifying, recognizing, and measuring resource inflows.
- [SFFAS No. 27](#), “Identifying and Reporting Funds from Dedicated Collections,” as amended by SFFAS No. 43 (changing the name of the funds from “earmarked funds” to “funds from dedicated collections”) provides guidance on identifying and reporting funds from dedicated collections.
- [SFFAS No. 31](#), “Accounting for Fiduciary Activities,” defines the activities that relate to the collection or receipt, and the subsequent management, protection, accounting, Investment and disposition of cash or other assets in which non-federal individuals or federal entities have an ownership interest that the federal government must uphold.

The following subparagraphs describe the business rules and policies governing the accounting and reporting of Fiscal Service Investment transactions for GAS securities and marketable securities.

**GAS Securities:** Fiscal Service accounts for GAS security Investments as follows, and the investing entity must post the calculated balances as provided by Fiscal Service.

- Amortization method on market-based notes, bonds, zero-coupon bonds, Treasury Inflation-Protected Securities (TIPS), and Floating Rate Notes (FRN): Uses the effective interest method calculated by FedInvest. Amortization begins on the day of purchase. Market-based notes, bonds, and TIPS purchased at premium will be amortized to the call date. Please contact the Federal Investments Program at [FedInvestor@fiscal.treasury.gov](mailto:FedInvestor@fiscal.treasury.gov) for more information on FRNs.
- Amortization method on market-based bills: Uses the straight-line method for amortization on market-based bills as calculated by FedInvest. Amortization begins the day after purchase.
- Carrying value: Fiscal Service reports all fixed-value Treasury securities at amortized cost value per the Federal Accounting Standards Advisory Board’s (FASAB) SFFAS No. 5. Therefore, trading partners that are required to report Treasury securities at fair market value per Financial Accounting Standards Board (FASB) standards can report these market adjustments and unrealized gains or losses using Fiscal Service as their trading partner. The amount of these marketable adjustments and unrealized gains must be provided to Fiscal Service prior to the end of each Material Difference Report (MDR) window on a quarterly basis to appropriately account for this activity at a government-wide consolidated level.
- Interest accruals: Interest accruals begin the day after purchase and are calculated using actual calendar days.<sup>1</sup> Inflation compensation earned on non-business days should be included in the interest accruals until the next business day when it is converted to principal.
- Early redemption: Early redemptions may be transacted using the specific ID method or the First-In/First-Out (FIFO) method if the accounts own multiple tax lots. If not specified, the FIFO method will be used.
- Required reporting: Fiscal Service must report GAS security Investment transactions on behalf of its trading partner via IPAC and CTA. Fiscal Service’s trading partners are responsible for reporting all Non-Investment receipts and disbursements to Fiscal Service. Fiscal Service provides reports in FedInvest and on [TreasuryDirect.gov](https://www.treasurydirect.gov) for the federal entity to reconcile their United States Standard General Ledger (USSGL) account balances and with their CARS Account Statement Expenditure Activity Report.
- Marketable Securities: Fiscal Service and federal entities investing in marketable Treasury securities must account for intra-governmental Investments as follows:
  - **Required reporting:** If trading partners purchase marketable Treasury securities, they must inform Fiscal Service of their outstanding portfolio balances no later than the first business day following the current month. Fiscal Service collaborates with the purchasing entity on reporting requirements and specifies the required communication protocol. The purchaser must confirm that Fiscal Service codes marketable Treasury securities

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<sup>1</sup> Interest accruals on one day securities accrue interest using a formula that includes actual days invested/360 rather than actual calendar days.

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as intra-governmental, not public, and must use the quarterly reconciliation processes to confirm that the correct codes are used. In addition, the federal entity must report Investment activities via email to Fiscal Service (for example, principal, inflation, accrued interest, premium and discounts, amortization of premium and discounts, and interest revenues) because the entity serves as the primary source of Investment activity for marketable securities. The federal entity must also report marketable Treasury security transactions via CTA reporting with the correct Business Event Type Code (BETC) for the Investment transaction. For more information about BETCs, please refer to the [CARS BETC FACT Sheet](#).

- **Treasury Interest Securities (TINTS):** TINTS are Treasury fixed-principal notes or bonds that have been stripped through the commercial book entry system. Each principal payment becomes a separate zero-coupon bond security that has its own identifying number and can be held or traded separately. When a federal entity invests in TINTS (future interest payment of a security that has been stripped), Treasury records the TINTS as accrued interest six months before maturity. This security is not recorded as principal by Fiscal Service or the trading partner.
- **Carrying value:** Fiscal Service reports all fixed value Treasury securities at amortized cost value per FASAB's SFFAS No. 5. Therefore, trading partners that may be required to report Treasury securities at fair market value per FASB standards can report these market adjustments and unrealized gains or losses using Fiscal Service as their trading partner. The amount of these marketable adjustments and unrealized gains must be provided to Fiscal Service prior to the end of each MDR window on a quarterly basis to appropriately account for this activity at a government-wide consolidated level.

**Note:** Treasury GAS securities purchased using **non-fiduciary** funds are classified as intra-governmental. The Investments in GAS securities by non-fiduciary funds and the associated USSGL accounts should be reported with a *federal/non-federal* attribute domain value of "F" with a corresponding trading partner FR Entity of 2000 for Treasury.

Treasury GAS securities purchased using a **fiduciary** fund are not classified as intra-governmental. The Investments in GAS securities by a fiduciary fund and the associated USSGL accounts should be reported with a federal/non-federal attribute domain value of "F" and a trading partner FR Entity of 2000 for Treasury for proprietary reporting. Treasury will report this activity as being with the public due to the nature of fiduciary activity. These intra-governmental balances reported by a fiduciary TAS will not impact the intra-governmental eliminations due to the nature of fiduciary activity.

It is critical that the account balances reported in the confirmation process equal the amounts reported in the federal entity's audited financial statements and GTAS submission to Fiscal Service.

### Eliminating USSGL Accounts

TFM Volume I, Part 2, Chapter 4700, Appendix 3, presents the USSGL accounts that Fiscal Service, FFB, or the federal entity with authority to issue securities and the investing entities must use for proper elimination of financial transactions during reporting. For Investments, the trading partners are defined as:

- Fiscal Service is the authoritative source for Treasury securities. Amounts posted by the investing entity in the eliminating accounts for Investments in Treasury securities (including zero-coupon bonds) issued by Fiscal Service must equal those balances posted by Fiscal Service. For marketable Treasury securities purchased in the open market, Fiscal Service still will act as the authoritative source.
- FFB, or another federal entity issuing securities under general and special financing authority, is the authoritative source for non-Treasury securities, meaning that the amounts posted by the investing entity in the eliminating accounts for Investments in securities other than Fiscal Service securities must equal those balances posted by FFB or the other entity.
- The investing entity is the federal entity purchasing Treasury securities directly from Fiscal Service or on the open market. Balances posted by this federal entity in the eliminating accounts for Investments in Treasury securities (including zero-coupon bonds) issued by Fiscal Service must equal those balances posted by Fiscal Service. If the investing entity purchases marketable Treasury securities, the balances posted by the investing entity must also equal those balances posted by Fiscal Service.  
If the investing entity purchases non-Treasury securities, the balances posted by the investing entity must equal those balances posted by FFB or other issuing entity.

### Limited Use of USSGL Accounts

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Table 4 outlines the USSGL accounts reserved for special use in Investment transactions. If a federal entity plans to use these accounts for other than the stated purpose, it must contact Fiscal Service. Refer to Appendix 5, Section 2: IGT Process, for detailed instructions.

**Table 4: Limited Use Accounts for Investments**

254000	Participation Certificates	Entities use this account in very limited situations, such as Ginnie Mae, when eliminating against USSGL accounts 161000 or 162000.
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### Common Errors for Investment Transactions

In recording IGTs for Investments, there are some common errors federal entities have made in the past. Table 5 lists the common errors, and the solutions federal entities can use to correct the errors.

**Table 5: Common Errors for Investment Transactions**

Error Type	Description	Solution
Interest/Amortization	Different interest/amortization methodology applied by investing entity.	Use the same interest/amortization methodology as Fiscal Service unless the trading partner can prove the methodology materially misstates their financial statements.
Trading Partner	Use of FR Entity 9900 when booking entries with Treasury. FR Entity 9900 is the General Fund and should not be used for Investments.	Always use FR Entity 2000 when booking entries with Treasury.
Reclassification of non-GAS Securities	Entity delays in notifying Fiscal Service of the purchase of marketable Treasury securities from an independent brokerage firm.	Entities must inform Fiscal Service of the purchase within <b>three</b> business days and must inform Fiscal Service of their outstanding portfolio balances no later than the first business day following the current month.

### Investment Reconciliation Procedures

In addition to the IGT-wide reconciliation procedures, trading partners must define and perform specific reconciliation(s) for this sub-category. They must document these reconciliations and incorporate them into management’s existing procedures for [OMB Circular No. A-123](#), “Management’s Responsibility for Enterprise Risk Management and Internal Control,” Appendix A.

Specific reconciliations include, but are not limited to:

- Review the reporting provided by Fiscal Service on [TreasuryDirect.gov](https://www.treasurydirect.gov) to:
  - Confirm investment/redemption/maturity/interest were processed accurately, timely, and in accordance with federal entity instructions,
  - Recalculate interest for accuracy,
  - Verify that adjustments were processed completely and accurately,
  - Reconcile interest payments received, and
  - Reconcile with the Account Statement Expenditure Activity Report for the federal entity.



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- Reconcile the monthly Accrual Confirmation Report from FedInvest provided by Fiscal Service to the federal entity's USSGL account balances, and
- Where differences are identified, document the difference including, but not limited to, the difference amount, USSGL accounts impacted, rationale for the difference, and the status of communication with trading partners (for example, contact made, unresponsive trading partner).

### Section 3—Borrowing Transactions

The Borrowings IGT sub-category involves the calculation and reporting of Borrowings from Treasury through Fiscal Service or FFB. Balances calculated and reported by the lending entity and federal entities may include loans receivable/payable, capitalized interest receivable/payable, accrued interest receivable/payable, accrued interest revenue/expense, as well as gains and losses.

Provided that legal authority has been granted by Congress, federal entities can submit loan requests to Fiscal Service or FFB. Fiscal Service or FFB will review the requests and take the appropriate actions. Throughout the life cycle of the loan, the Borrowing entity will make periodic payments of principal and interest and will reconcile its financial records with the authoritative source balances.

The process model for IGT Borrowings is described in the following subsections.

#### 3.1—Transaction Types and Trading Partner

The trading partners for federal entities with Borrowing authority are always FFB or Fiscal Service. The legislation granting the federal entity Borrowing authority may state if a specific funding source must be used. A description of each of these funding sources is provided below.

##### Bureau of the Fiscal Service Loans

The primary mission of Fiscal Service's Federal Borrowings Program is to loan funds to federal entities with legal authority to borrow and to account for and report on the resulting loans outstanding and the associated interest. Fiscal Service supplies Borrowings to over 100 funds administered by various federal entities.

##### Federal Financing Bank Loans

FFB is a government corporation that was created by Congress in the Federal Financing Bank Act of 1973. FFB, which is under the general supervision of the Secretary of the Treasury, was established to centralize and reduce the cost of federal Borrowing, as well as federally assisted Borrowing from the public. FFB has statutory authority to purchase any obligation issued, sold, or guaranteed by a federal entity and to monitor that fully guaranteed obligations are financed efficiently.

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### 3.2—Roles and Responsibilities

Table 6 outlines the roles and responsibilities for federal entities that borrow funds.

**Table 6: Trading Partner Roles/Responsibilities for Borrowings**

Role	Entity	Responsibility
Authoritative Source	Fiscal Service	<p>As the authoritative source for Borrowings, Fiscal Service:</p> <ul style="list-style-type: none"> <li>▪ Reviews and approves principal as well as interest transactions initiated by the Borrowing entity,</li> <li>▪ Maintains detailed records of principal and interest transactions between Treasury and the Borrowing entities,</li> <li>▪ Accrues interest on principal outstanding,</li> <li>▪ Reports Treasury’s loans receivable and capitalized interest receivable, and the related interest receivable, interest revenue, gains, and losses,</li> <li>▪ Provides the Borrowing entities with access to final summary reports at the beginning of each month and detailed reports are available throughout each month, and</li> <li>▪ Submits balances to Fiscal Service quarterly.</li> </ul>
	FFB	<p>As the authoritative source for Borrowings with FFB:</p> <ul style="list-style-type: none"> <li>▪ Purchases obligations issued, sold, or guaranteed by a federal entity and monitors that fully guaranteed obligations are financed efficiently,</li> <li>▪ Records approved Borrowing requests,</li> <li>▪ Maintains the detail records of the loan transactions between FFB and other federal entities,</li> <li>▪ Accounts for and reports FFB’s loans receivable and related interest receivable,</li> <li>▪ Accounts for and reports gains/losses, and</li> <li>▪ Submits balances to Fiscal Service quarterly.</li> </ul>
Trading Partner	Borrowing Entity	<p>As the authoritative source’s trading partner, the Borrowing entity:</p> <ul style="list-style-type: none"> <li>▪ Adheres to the terms of the Borrowing agreement,</li> <li>▪ Initiates Borrowing, repayment, and interest transactions (as permitted by legislative authority),</li> <li>▪ Records and reports the applicable loans payable and capitalized interest payable, as well as the related interest payable, interest expense, gains, and losses,</li> <li>▪ Reconciles all balances with amounts reported by Fiscal Service or FFB,</li> <li>▪ Submits balances to Fiscal Service, and</li> <li>▪ Documents differences with authoritative sources and creates a corrective action plan for recurring differences or submits material differences to Fiscal Service for dispute resolution.</li> </ul>

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### 3.3—Business Rules for Borrowings

The following key laws and policy sources govern the accounting for and financial management of Fiscal Service or FFB Borrowing programs:

- [Public Law No. 93-224](#), “The Federal Financing Bank Act of 1973,” establishes FFB to provide for coordinated and more efficient financing of federal and federally assisted Borrowings by the public.
- [Federal Credit Reform Act of 1990 \(FCRA\)](#) improved the federal credit program cost environment by measuring costs more accurately, improving the allocation of resources among credit programs, aligning costs with other federal spending, and encouraging the accurate delivery of benefits.
- [TFM Volume I, Part 2, Chapter 4600](#), “Treasury Reporting Instructions for Credit Reform Legislation,” defines reporting instructions for federal credit program entities.
- [OMB Circular No. A-11](#), Part 5, Section 185, “Federal Credit,” provides guidelines for reporting on direct loans and loan guarantees.
- [TFM Volume 1, Part 2, Chapter 4800](#): “Responsibilities Relating to Non-Credit Reform Borrowing Accounts,” Communicates Treasury’s standard policies, responsibilities and procedures related to Non-Credit Reform Accounts.
- [SFFAS No. 2](#), “Accounting for Direct Loans and Loan Guarantees,” provides accounting standards for federal direct loans, loan guarantees, requires that direct loans be obligated, and loan guarantees committed after September 30, 1991, be accounted for on a present-value basis.
- [SFFAS No. 18](#), “Amendments to Accounting Standards for Direct Loans and Loan Guarantees,” provides clarification regarding the reporting of subsidy costs and performance of federal credit programs.
- [SFFAS No. 19](#), “Technical Amendments to Accounting Standards for Direct Loans and Loan Guarantees,” amended accounting rules for direct loans and loan guarantees and clarifies the cash flow method for the Federal Credit Reform Act and effective interest rates used for a cohort for direct loans.

Borrowings balances for Fiscal Service and FFB can be found in GTAS. On a quarterly basis, Borrowing entities must verify corresponding balances in accounts that eliminate with the balances reported by Fiscal Service or FFB. If account balances do not eliminate, Borrowing entities must reconcile the amounts and coordinate with Fiscal Service or FFB to resolve differences. If unable to resolve the difference, Borrowing entities must create a corrective action plan for recurring differences or initiate a dispute resolution process for material differences. For non-material differences, the Borrowing entity should either post the authoritative source balance or document the rationale for the difference. The documentation for the non-material difference should be available upon Fiscal Service request.

Borrowing entities must account for intra-governmental Borrowings from Fiscal Service or FFB as follows:

- **Borrowing/Repayment:** Borrowing/repayment transactions that are posted in CARS should be reflected in the Borrowing entity’s loans payable or capitalized interest payable.
- **Payment/Collection:** Payment/collection transactions that are submitted in IPAC should be reflected in the Borrowing entity’s interest payable, gains, or losses.
- **Accrued Interest/Other Charges:** Accrued interest and other miscellaneous fees/charges should be reflected in the Borrowing entity’s interest payable and interest expense.
  - For Borrowings under a preexisting Subcohort (risk category) and Cohort Year, Borrowing entities governed by FCRA should estimate interest accruals based on the previous year’s annual interest rate. The interest rate calculated in September will be used to determine the actual amount of interest due to Treasury for the year.
  - An estimated interest rate must be provided by the Borrowing entities to the authoritative source for new FCRA loans that do not have a pre-existing Subcohort (risk category) or Cohort Year.

It is critical that the account balances reported in the confirmation process equal the amounts reported in the federal entity’s audited financial statements and GTAS submission to Fiscal Service.

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### Eliminating USSGL Accounts

TFM Volume I, Part 2, Chapter 4700, Appendix 3, presents eliminating accounts used by Fiscal Service and FFB and the Borrowing entity for their associated debits/credits. For Borrowings, the trading partners are defined as:

- **Fiscal Service or FFB.** Fiscal Service and FFB are the authoritative sources for Borrowings. Fiscal Service or FFB reports the balances that they provided to the federal entities to reconcile with the Borrowing entity as the trading partner.
- **Borrowing Entity.** The Borrowing entity is the federal entity Borrowing funds from Fiscal Service or FFB concerning loans. When the Borrowing entity posts a transaction concerning these loans, the trading partner is Fiscal Service or FFB and the amounts posted must reconcile or equal the balances posted by Fiscal Service or FFB.

### Common Errors for Borrowing Transactions

In recording IGTs for Borrowings, there are some common errors federal entities have made in the past. In general, data entry errors and failure to post accruals in a timely manner create differences. Table 7 contains the common error and the solution federal entities can use to correct the error.

**Table 7: Common Error for Borrowings**

Error Type	Description	Solution
Inconsistent interest calculation methods	This error could occur if a Borrowing entity calculated interest amounts utilizing a different methodology than Fiscal Service or FFB.	Borrowing entities must use Fiscal Service or FFB interest calculation methodology. If the federal entity identifies a discrepancy in methodology or the amount calculated, the entity should notify Fiscal Service or FFB.

### Borrowings Reconciliation Procedures

In addition to the IGT-wide reconciliation procedures, trading partners must define and perform specific reconciliation(s) for this sub-category. They should document these reconciliations and incorporate them into management's existing [OMB Circular No. A-123](#), "Management's Responsibility for Enterprise Risk Management and Internal Control," Appendix A, procedures. In addition, for Borrowings with Fiscal Service, trading partners must review and reconcile to Fiscal Service's [Detailed Principal and Accrued Interest Reports](#).

For Borrowings with FFB, trading partners must review and reconcile to [FFB's Monthly Account Statement](#).

Specific reconciliations required by Borrowing entities include, but are not limited to:

#### For Fiscal Service Borrowings:

- Review the [Summary General Ledger Balances Report](#) to confirm all balances are recorded accurately, timely, and in accordance with the loan agreement. If discrepancies exist, notify Fiscal Service. If unable to resolve differences with Fiscal Service, create a corrective action plan for the recurring differences.
- Review the [Detailed Principal and Accrued Interest Report](#) balances to confirm loans are classified accurately and to recalculate accrued interest for accuracy. If discrepancies exist, notify Fiscal Service. If unable to resolve differences with Fiscal Service, create a corrective action plan for recurring differences or initiate the dispute resolution process.
- Where differences are identified, document the difference including, but not limited to, the difference amount, USSGL accounts impacted, rationale for the difference, and the status of communication with trading partners (for example, contact made, unresponsive trading partner).

## Appendix 6

### For FFB Borrowings:

- Review the monthly loan activity report to confirm maturity/interest/amortization was processed accurately, timely, and in accordance with federal entity instructions. If discrepancies exist, notify FFB. If unable to resolve differences with FFB, create a corrective action plan for recurring differences.
- Review FFB confirmations to confirm maturity/interest/amortization was processed accurately, timely, and in accordance with the federal entity instructions. If discrepancies exist, notify FFB. If unable to resolve differences with FFB, create a corrective action plan for recurring differences.
- Review FFB confirmations to reconcile interest payments made and re-calculate interest for accuracy. If discrepancies exist, notify FFB. If unable to resolve differences with FFB, create a corrective action plan for recurring differences.
- Where differences are identified, document the difference including, but not limited to, the difference amount, USSGL accounts impacted, rationale for the difference and the status of communication with trading partners (for example, contact made, unresponsive trading partner).